

## **Senate Bill No. 1456**

### **CHAPTER 488**

An act to amend Section 116761.20 of the Health and Safety Code, relating to drinking water, and making an appropriation therefor.

[Approved by Governor September 22, 2016. Filed with  
Secretary of State September 22, 2016.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

SB 1456, Galgiani. Safe Drinking Water State Revolving Fund Law of 1997: water systems: financing.

Existing law establishes the Safe Drinking Water State Revolving Fund, and moneys in the fund are continuously appropriated to the State Water Resources Control Board for the provision of grants and revolving fund loans to provide for the design and construction of projects for public water systems that will enable suppliers to meet safe drinking water standards. Existing law, for community public water systems and not-for-profit noncommunity public water systems, allows planning and preliminary engineering studies, project design, and construction costs incurred by those public water systems to be funded by loans and other repayable financing. Existing law additionally allows, if those public water systems are owned by public agencies or not-for-profit water companies, those specified costs to be funded by grants, principal forgiveness, or a combination of grants and loans or other financial assistance. Existing law requires the board to determine what portion of the full costs the public agency or private not-for-profit water company is capable of repaying and requires the board to authorize a grant or principal forgiveness only to the extent the board finds the public agency or private not-for-profit water company is unable to repay the full costs of the financing.

This bill would authorize the above-described costs to be funded by loans or other repayable financing, grants, principal forgiveness, or a combination of grants and loans or other financial assistance, regardless of whether the community water system or not-for-profit noncommunity water system is owned by a public agency or private not-for-profit water company. By expanding the use of moneys in a continuously appropriated fund, this bill would make an appropriation. The bill would only authorize a grant or principal forgiveness to a community water system or not-for-profit noncommunity water system that serves a disadvantaged community. The bill, for a water system that is a water corporation regulated by the Public Utilities Commission, would limit the principal forgiveness to capital improvements made by the water system serving disadvantaged communities with fewer than 3,300 service connections.

Existing law deems a public agency or private not-for-profit water company serving a severely disadvantaged community with fewer than 200 service connections and that owns a small community water system or nontransient community water system to have no ability to repay any financing for a project serving the severely disadvantaged community.

This bill would apply this finding to a community water system or not-for-profit noncommunity water system that is not a water corporation regulated by the Public Utilities Commission and that serves a severely disadvantaged community with fewer than 200 service connections.

Appropriation: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Section 116761.20 of the Health and Safety Code is amended to read:

116761.20. (a) Planning and preliminary engineering studies, project design, and construction costs incurred by a community water system or not-for-profit noncommunity water system may be funded under this chapter.

(b) (1) The board shall determine what portion of the full costs the water system is capable of repaying and authorize funding in the form of a loan or other repayable financing for that amount. The board may authorize a grant or principal forgiveness to a system eligible under subdivision (a) that serves a disadvantaged community and only to the extent the board finds the water system is unable to repay the full costs of the financing.

(2) Where the otherwise eligible water system is a water corporation regulated by the Public Utilities Commission, principal forgiveness shall be limited to capital improvements made by a water system serving disadvantaged communities with fewer than 3,300 service connections, and the board shall incorporate consideration of the water system's rate of return for the three fiscal years before the timeframe in which the board is considering financial assistance.

(3) Where an otherwise eligible water system is not a water corporation described in paragraph (2) and serves a severely disadvantaged community with fewer than 200 service connections, the water system is deemed to have no ability to repay any financing for a project serving the severely disadvantaged community.

(c) At the request of the board, the Public Utilities Commission shall submit comments concerning the ability of water systems, subject to its jurisdiction, to finance the project from other sources and to repay the financing.